

Required Report - public distribution

**Date:** 6/8/2009

**GAIN Report Number:** IS9008

## Israel

## OILSEEDS AND PRODUCTS ANNUAL

### Annual Report

**Approved By:**

Cynthia Iglesias Guven

**Prepared By:**

Gilad Shachar

**Report Highlights:**

Israel is completely dependent on imports of soybeans to meet its feed needs. It is estimated that the domestic economic slowdown will affect local meat, poultry and milk consumption, which will have a negative impact on local feed demand in 2008/09. A decline of 5-15 percent in soybean use and imports is expected. In addition, it is expected that the Brazilian and Argentine soybean market share will increase relative to the American market share.

**Executive Summary:**

The global and domestic economic slowdown in 2009 weakened demand for local feed so during the first five months of marketing year 2008/09 (October 2008 through February 2009) soybean imports decreased by nearly 20 percent (from 241 TMT to 194 TMT), compared to the same period in the previous year. On the other hand, data for the first 5 months of MY 2008/09 show that total oil meal imports (mainly sunflower meal from Russia and Ukraine) increased by 49 percent (from 100 TMT to 149 TMT), compared to the same period in the previous year.

As a result of the local economic slowdown combined with the closure of the Gaza strip, local production of broilers, turkeys, milk and fish in CY 2009 is expected to decrease by 10, 30, 7, and 5 percent respectively, compared to 2008.

Israel is expected to import about 5-15 percent less soybeans in MY 2008/09 than last year.

Israeli crushers can produce 44 and 48 percent soy meal. However, local crushing plants cannot satisfy the growing demand for Hi-Pro 48 percent meal and shortage is satisfied by imports. In CY 2008, out of total local soy meal production, about 80 percent was Hi-Pro 48 percent and this trend is expected to continue in the next years. Post estimates that oil meal imports in MY 2008/09 will increase by 10-30 percent (mainly sunflower meals) compared to the previous MY, and will reach about 220-280 tmt. It is the third consecutive year that the market share of sunflower meal imports increased.

Soy, corn, canola, olive, rapeseed and sunflower oils are all produced in Israel. Vegetable oils are also imported as crude and refined domestically – both by crushers and by large manufactures of margarine, snacks and other food. Despite the domestic economic slowdown, total oil imports increased an average of 5 percent in CY 2008. Approximately 80 percent of local oil consumption is from local production, and the remainder is imports.

In MY 2007/08 (October through September), the U.S. market share for soybeans increased significantly and totaled 56 percent (from 36 percent market share in 2006/07), while U.S. meal share decreased drastically from 19 percent market share in 2006/07 to 0 percent market share in 2007/08. On the other hand, in CY 2008 the U.S. market share for oil meals totaled 16 percent compared to a 11 percent market share in CY 2007.

Recently managers at local processing plants have been complaining that U.S. soybeans contain lower protein and oil levels compared to those from Brazil and Argentina.

Recently, Israel signed a free trade agreement with Mercosur, which included an agreement on trade in agricultural products. According to the agreement, during the first four years, the tariff on soy meal will decrease in 4 steps and will reach 4.5 percent (same as in the U.S.-Israel ATAP) at the end of the four years. As a result of the projected decreased tariff on Mercosur soy meals, U.S. soy meal will no longer be competitive.

## **Commodities:**

Oilseed, Soybean

## **Production:**

### **Production**

In Israel, no oilseeds are produced for crushing. This condition is not expected to change, as production for crushing is not economical due to Israel's serious water shortage.

In 2008, confectionary sunflower seed production totaled about 13,500 tons, of which 10,500 tons (78 percent) were exported, primarily to Spain. In 2008, 16,500 tons of peanuts were produced, of which about 10,000 tons (61 percent) were exported. In 2008, planted area for peanuts and sunflower is estimated at 3,100 and 9,000 ha, respectively.

As a result of the decrease in world sunflower prices in recent months combined with decrease in demand for sunflower seeds in Spain (Israel's main export market), it is expected that local sunflower production in 2009 will decrease by 5-20 percent compared to the 2008 harvest.

The forecast for peanuts production in CY 2009 is forecast at 16,000-17,000 MT, unchanged from the previous year. Planted area for peanuts is forecast at 3,200 ha.

## **Prices**

Since the end of 2008, the local price for sunflower seeds has been decreasing and currently it stands at NIS 4,500 (\$1,125) per ton.[1]

[1] Exchange Rate - \$1=NIS 4.00

## **Consumption: Consumption**

The consumption of oilseeds, mainly soybeans, is derived from the demand for oil meals for livestock.

As a result of the local economic slowdown, combined with the closure of the Gaza strip (Israel's trade partner), in CY 2009 local production of broilers, turkeys, milk and fish is expected to decrease by 10%, 30%, 7% and 5 percent, respectively, compared to 2008.

Due to the above mentioned reasons along with increased competition from other feed-quality wheat and corn producers (mainly Ukraine and Russia), total domestic consumption of soybeans is forecast to decline by 5-15 percent and will total about 480-530 tmt in MY 2008/09.

Soybean use is forecast to rebound in MY 2009/10 following a reduction in the current MY. Driven by expected higher crush, soybeans consumption is forecast to increase by 10-15 percent in MY 2009/10 and will total 530-590 tmt. The forecast for increased consumption of soybeans in MY 2009/10 is based on a certain improvement in the global and domestic economic environment.

Three soybean processing plants are active in Israel: Solbar, Shemen and Teth-Beth, and the annual local soy crushing capacity stands at about 650,000 tons.

## **Trade: Trade**

### **Exports**

Only peanuts and confectionary sunflower seeds are exported. As a result of the recession in the EU (Israel's main export market) it is expected that exports of peanuts and sunflower seeds will decrease by 5-15 percent in CY 2009 compared to the previous year. Italy, Germany, Holland and Switzerland are the primary destinations for Israeli peanut exports, while Spain is the primary destination for sunflower seeds. In CY 2008, peanut exports totaled about 10,000 MT (in shelled). The peanut shipments to the EU are valued at € 22.5 million.

## Imports

*MY 2008/09 Outlook* – As a result of a weaker domestic demand combined with the closure of the Gaza strip (in recent years about 7 percent of Israeli feed mix sales are to the Palestinian Authority) and increased competition from other feed-quality wheat producers, imports of soybeans are expected to decrease by 5-15 percent in MY 2008/09 and will total about 460-500 tmt. It is expected that American soybean imports in 2008/09 will decline and Brazilian and Argentinean market share will take over part of the American market share. U.S. market share of soybeans in Israel is expected to decrease from 56 percent in MY 2007/08 to 15-25 percent in MY 2008/09.

During the first five months of marketing year 09/2008 (October 2008-February 2009) soybean imports decreased by nearly 20 percent compared to the same period in the previous year.

In the first five months of 2008/09, the U.S. market share for soybeans decreased by 81 percent compared to the same time period one year ago (from 64 percent market share to 12 percent market share). The significant decrease is mainly due to logistical problems along with high shipping costs from the U.S. In addition, recently there were complaints from Israeli importers that U.S. soybeans contained lower protein and oil levels compared to those from Brazil and Argentina.

In addition, since corn imports from South America are increasing, Israeli importers also prefer to import soybeans from South America instead of the U.S. in order to reduce expenses importers

*MY 2009/10 Outlook* - The Israeli feed milling industry shifts easily from corn, barley, sorghum, DDG'S and gluten feed to feed wheat and soybeans depending on price relationships. If there will be certain improvement in the global and domestic economic environment, total soybean imports into Israel are expected to reach 540-600 tmt in MY 2009/10. In the future, the U.S. is forecast to maintain 25-40 percent market share, with Argentina and Brazil supplying the remainder. Soybean imports are forecast to remain relatively stable at about 550-600,000 tons in the next few years.

*MY 2007/08* - Due to the shortage of soybeans from Argentina combined with increased supplies of American corn in MY 2007/08, Israeli importers switched imports from Argentina and Brazil to U.S. and imports of U.S. soybean reached a six-year record, with 304 tmt, a 48 percent increase from MY 2006/07, and a 56 percent market share. In 2007/08 soybean imports totaled 540 tmt, a 6 percent decrease compared to the previous MY.

**Table 1: Oilseeds and Meals Imports to Israel, MY [1] , Thousand Metric Tons**

MY	Soybeans	Meals	Rapeseeds	Gluten Feed and DDG	Total Import
2004/05	681	222	37	143	1,083
2005/06	534	288	47	88	957
2006/07	576	405	48	246	1,275
2007/08	540	219	27	424	1,210
2007/08 (5 months)	241	100	6	229	576
2008/09 (5 months)	194	149	10	161	510

Source: Ministry of Agriculture, Office of Prices and Supply

**Table 2: U.S. Oilseeds and Meals Imports to Israel, MY, Thousand Metric Tons**

<b>MY</b>	<b>Soybeans</b>	<b>Meals</b>	<b>Rapeseeds</b>	<b>Gluten Feed and DDG</b>	<b>Total Import From the U.S.</b>
2004/05	163	5	0	136	304
2005/06	191	0	0	88	279
2006/07	206	75	0	228	509
2007/08	304	0	0	356	660
2007/08 (5 months)	186	0	0	229	415
2008/09 (5 months)	23	57	0	141	221

Source: Ministry of Agriculture, Office of Prices and Supply

**Table 3: U.S. Share Out of Total Oilseeds and Meals Imports (Percent)**

<b>MY</b>	<b>Soybeans</b>	<b>Meals</b>	<b>Rapeseeds</b>	<b>Gluten Feed and DDG</b>
2004/05	23.9	2.3	0.0	95.1
2005/06	35.8	0.0	0.0	100.0
2006/07	35.8	18.5	0.0	92.7
2007/08	56.3	0.0	0.0	84.0
2007/08 (5 months)	77.2	0.0	0.0	100.0
2008/09 (5 months)	11.9	38.2	0.0	87.6

Source: Ministry of Agriculture, Office of Prices and Supply

### Import Trade Matrix, Soybean

The following table summarizes Israeli soybean imports.

<b>Import Trade Matrix Israel Oilseed, Soybean (TMT) Time Period: CY</b>			
<b>Imports for:</b>	<b>2007</b>		<b>2008</b>
U.S.	204	U.S.	279
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	361	Others not Listed	252
Grand Total	565	Grand Total	531

<sup>1)</sup> October - September

### Production, Supply and Demand Data Statistics:

Oilseed, Soybean Israel	2007	2008	2009
	2007/2008	2008/2009	2009/2010

	Market Year Begin: Oct 2007		Market Year Begin: Jun 2008		Market Year Begin: Oct 2009		
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan	
		Data		Data			Data
Area Planted	0	0	0	0			0 (1000 HA)
Area Harvested	0	0	0	0			0 (1000 HA)
Beginning Stocks	10	10	28	29			28 (1000 MT)
Production	0	0	0	0			0 (1000 MT)
MY Imports	500	540	350	490			550 (1000 MT)
MY Imp. from U.S.	213	304	220	100			170 (1000 MT)
MY Imp. from EU	0	0	0	0			0 (1000 MT)
Total Supply	510	550	378	519			578 (1000 MT)
MY Exports	0	0	0	0			0 (1000 MT)
MY Exp. to EU	0	0	0	0			0 (1000 MT)
Crush	462	500	323	470			524 (1000 MT)
Food Use Dom. Cons.	13	13	17	13			15 (1000 MT)
Feed Waste Dom. Cons.	7	8	8	8			10 (1000 MT)
Total Dom. Cons.	482	521	348	491			549 (1000 MT)
Ending Stocks	28	29	30	28			29 (1000 MT)
Total Distribution	510	550	378	519			578 (1000 MT)
CY Imports	525	565	350	531			500 (1000 MT)
CY Imp. from U.S.	204	204	185	279			155 (1000 MT)
CY Exports	0	0	0	0			0 (1000 MT)
CY Exp. to U.S.	0	0	0	0			0 (1000 MT)
TS=TD		0		0			0

### Commodities:

Meal, Soybean

### Production: Production

Oil meal production is primarily for the poultry sector. It is limited by crushing capacity and complemented by imports. Local oil meal demand is forecast to remain relatively stable at about 800-850 thousand tons in the next few years, while local production will be around 450-500 thousand tons. Due to the fact that local soybean consumption is forecast to decline in CY 2009, local soybean meal production is forecast to decrease by about 5-15 percent in MY 2008/09 compared to the previous MY.

Local crushers can produce 44 percent and Hi Pro soy meals (48 percent). In CY 2008, out of total local soy meal production, about 80 percent was Hi Pro (48 percent). It is the second consecutive year that most of the local soy meal production was 48 percent. This trend is expected to continue in the next years.

Local crushing plants cannot satisfy the growing demand for Hi-Pro meal and shortage is satisfied by imports. Out of total soy meal consumption in CY 2008 (580 tmt), 14 percent (80 tmt) was imported.

As a result of the relatively low price of sunflower meal compared to other oil meals (including soybean meal), it is the third consecutive year that the market share of sunflower meal imports increased from Ukraine and Russia. In addition, imports of DDG'S and gluten feed have increased significantly in recent years, and this trend is expected to continue in the coming years. In CY 2008, DDG'S and gluten feed imports increased at the expense of all kinds of oil meal imports. In addition, as a result of the decrease in soybean meal imports in 2008, local soybean meal production increased by about 10-15 percent in CY 2008. Three processing plants produce oil meals.

**Table 4: Total Annual Oil Meal Consumption, CY 2008, TMT**

	<b>Thousand Tons</b>	<b>Percent</b>
Local Soy Meal Production	500	65
Imported Soy Meal	80	10
<b>Total Soy Meal</b>	<b>580</b>	<b>75</b>
Local Canola Meal Production	20	3
Imported Canola Meal	17	2
<b>Total Canola Meal</b>	<b>37</b>	<b>5</b>
Imported Sunflower Meal	155	20
<b>Total Annual Consumption</b>	<b>772</b>	<b>100</b>

### **Soybean Meal Prices**

From March 2008 through March 2009, soy meal prices decreased 26 percent. The changes were dictated by the price for soybeans in the Chicago Board of Trade (CBOT).

**Table 5: Prices for Feed Grains and Oilseeds, \$ Per Ton (at the feed mill gate)**

	<b>March 2009</b>	<b>February 2009</b>	<b>March 2008</b>	<b>% Change March 2009 Compared to March 2008</b>
Corn	\$205	\$200	\$320	-36%
Wheat	\$195	\$190	\$405	-52%
Barley	\$205	\$195	\$410	-50%
Gluten Feed	\$210	\$210	\$310	-32%
Canola Meal	\$275	\$230	\$375	-27%
Sunflower Meal (37%)	\$205	\$195	\$375	-45%
Soy Meal (44%)	\$410	\$440	\$555	-26%
D.D.G	\$225	\$245	\$350	-36%

Source: Israeli Cattle Breeder's Association

## **Trade:Trade**

### **Exports**

No exports of oil meals or feed were recorded in 2008. Approximately 7 percent of Israeli feed mix sales are to the Palestinian Authority (PA), mainly for poultry, sheep and goats.

### **Imports**

MY 2008/09 Outlook – Data for the first 5 months of 2008/09 (October-February) show total oil meal imports have increased significantly from the same period one year earlier (from 100 tmt to 149 tmt). Most of the increase is of sunflower meals from Ukraine and Russia.

In addition, data for the first 5 months of 2008/09 reveal that American oil meal (from the U.S. Israel imports only soy meal) market share has increased significantly compared to the same period one year ago (from 0 percent market share in MY 2007/08 to 38 percent market share in MY 2008/09). However, as the South American new crop becomes increasingly available, crushers will purchase mostly Brazilian and Argentinean soy meal for the remainder of the year.

Post estimates that oil meal imports in 2008/09 will increase by 10-30 percent (mainly sunflower meals) compared to the previous MY, and will reach about 220-280 tmt.

MY 2009/10 Outlook – If there will be certain improvement in the global and domestic economic environment, post estimates that oil meal consumption and imports will increase by 5-20 percent compared to MY 2008/09 and will total 240-300 tmt. However, it is expected that the market share of sunflower meal imports will continue to increase in MY 2009/10 (only if sunflower meal price is relatively low compared to other feed ingredient alternatives).

On the other hand, if DDG'S, gluten feed and other feed ingredient alternatives imports will continue to increase, therefore oil meal imports will decrease slightly or will just experience a moderate growth in MY 2009/10 (The Israeli feed milling industry shifts easily from corn, barley, sorghum, DDG'S and gluten feed to feed wheat and soybeans depending on price relationships).

MY 2007/08 - Due to high prices of all kinds of oil meals (especially soy meal prices), high shipping costs along with increased imports of DDG'S and gluten feed from the U.S., imports of all kinds of oil meals decreased significantly in MY 2007/08. In MY 2007/08 oil meal imports have decreased by 46 percent compared to the previous MY (from 405 tmt in MY 2006/07 to 219 tmt in MY 2007/08)

Out of the total oil meals imports in 2007/08, approximately 130 tmt (60 percent) was sunflower meal, 66 tmt (30 percent) soy meal, and the remainder was canola meal. Sunflower meal is imported mainly from Ukraine and Russia.

In MY 2007/08, the U.S. market share for all oil meals totaled 0 percent compared to a 19 percent market share in the previous MY. On the other hand, in CY 2008 the U.S. market share of total oil meals totaled 16.3 percent compared to a 11.2 percent market share in CY 2007.



## Import Trade Matrix, Meal

<b>Import Trade Matrix</b> <b>Israel</b> <b>Meal, Soybean (TMT)</b> <b>Time Period: CY</b>			
<b>Imports for:</b>	<b>2007</b>		<b>2008</b>
U.S.	38	U.S.	40
Others	0	Others	0
Total for Others	0	Total for Others	0
Others not Listed	62	Others not Listed	40
Grand Total	100	Grand Total	80

## Production, Supply and Demand Data Statistics:

Meal, Soybean Israel	2007			2008			2009		
	2007/2008			2008/2009			2009/2010		
	Market Year Begin: Oct 2007			Market Year Begin: Oct 2008			Market Year Begin: Oct 2009		
	Annual Data Displayed	New Post	Data	Annual Data Displayed	New Post	Data	Annual Data Displayed	Jan	Data
Crush	462	560	500	323	573	470			524 (1000 MT)
Extr. Rate, 999.9999	1.	1.	0.9	1.	1.	0.8511			0.8779 (PERCENT)
Beginning Stocks	15	13	15	8	6	9			9 (1000 MT)
Production	367	405	450	257	415	400			460 (1000 MT)
MY Imports	130	119	66	88	121	130			100 (1000 MT)
MY Imp. from U.S.	20	20	0	25	25	65			45 (1000 MT)
MY Imp. from EU	0	0	0	0	0	0			0 (1000 MT)
Total Supply	512	537	531	353	542	539			569 (1000 MT)
MY Exports	0	0	0	0	0	0			0 (1000 MT)
MY Exp. to EU	0	0	0	0	0	0			0 (1000 MT)
Industrial Dom. Cons.	0	0	0	0	0	0			0 (1000 MT)
Food Use Dom. Cons.	0	0	0	0	0	0			0 (1000 MT)
Feed Waste Dom. Cons.	504	531	522	341	540	530			560 (1000 MT)
Total Dom. Cons.	504	531	522	341	540	530			560 (1000 MT)
Ending Stocks	8	6	9	12	2	9			9 (1000 MT)
Total Distribution	512	537	531	353	542	539			569 (1000 MT)
CY Imports	70	100	100	90	75	80			95 (1000 MT)
CY Imp. from U.S.	27	38	38	25	30	40			40 (1000 MT)
CY Exports	0	0	0	0	0	0			0 (1000 MT)
CY Exp. to U.S.	0	0	0	0	0	0			0 (1000 MT)
SME	504	531	522	341	540	530			560 (1000 MT)

TS=TD			0			0			0
-------	--	--	---	--	--	---	--	--	---

### Commodities:

Oil, Soybean

### Production:

### Production

Soy, canola, olive, rapeseed and sunflower oils are produced in Israel, and production is growing slightly to keep pace with moderately rising demand and trends in soy crush.

### Consumption:

### Consumption and Household Expenditure on Vegetables Oils

Consumption of vegetable oil is increasing modestly, in line with population growth and increases in demand for olive oil, canola oil and sunflower oil. This trend is expected to continue in the future.

### Prices

Local annual average prices for all vegetables oils in 2008 increased significantly compared to the previous year. It is estimated that imported oil prices were higher by an average of 5-10 percent compared to local oil prices. From January 2008 through January 2009, the soy oil price increased by 21 percent.

**Table 6: Local Monthly Retail Average Price for Soy and Olive Oils**

	<b>Soy Oil – 1 Liter</b>	<b>Olive Oil – 0.75 Liter</b>
7/2008	\$2.9	\$10.6
8/2008	\$2.9	\$10.4
9/2008	\$2.9	\$10.3
10/2008	\$2.9	\$10.4
11/2008	\$2.8	\$10.6
12/2008	\$2.8	\$10.4
1/2009	\$2.9	\$10.1
2/2009	\$2.9	\$10.1
3/2009	\$2.7	\$10.2

Source: Price Statistics Monthly, CBS.

### Trade:

### Trade

### Imports

Despite the domestic economic slowdown, total oil imports increased an average of 5 percent in CY 2008. This trend is expected to continue in the forthcoming years. Soy oil imports account for about 10 percent of domestic use, while total oil imports represent approximately 20 percent of local oil consumption.

Soy oil is imported mainly from S. America (Argentina and Brazil), and canola oil is imported primarily from Belgium. Palm oil is imported from Malaysia and Indonesia, only for the industrial sector.

Recently the biggest food retail chain in Israel signed an agreement with an American canola oil producer. The agreement is valued at \$1.5 million.

### Production, Supply and Demand Data Statistics:

Oil, Soybean Israel	2007		2008		2009		
	2007/2008		2008/2009		2009/2010		
	Market Year Begin: Oct 2007		Market Year Begin: Jun 2008		Market Year Begin: Oct 2009		
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Jan	
		Data		Data		Data	
Crush	462	500	323	470		524	(1000 MT)
Extr. Rate, 999.9999	0.	0.1	0.	0.1319		0.1202	(PERCENT)
Beginning Stocks	1	1	2	0		1	(1000 MT)
Production	84	50	59	62		63	(1000 MT)
MY Imports	13	13	12	14		14	(1000 MT)
MY Imp. from U.S.	0	0	0	0		0	(1000 MT)
MY Imp. from EU	1	1	2	2		2	(1000 MT)
Total Supply	98	64	73	76		78	(1000 MT)
MY Exports	1	1	1	1		1	(1000 MT)
MY Exp. to EU	0	0	0	0		0	(1000 MT)
Industrial Dom. Cons.	44	37	38	42		44	(1000 MT)
Food Use Dom. Cons.	51	26	30	32		33	(1000 MT)
Feed Waste Dom. Cons.	0	0	0	0		0	(1000 MT)
Total Dom. Cons.	95	63	68	74		77	(1000 MT)
Ending Stocks	2	0	4	1		0	(1000 MT)
Total Distribution	98	64	73	76		78	(1000 MT)
CY Imports	13	12	12	13		13	(1000 MT)
CY Imp. from U.S.	0	0	0	0		0	(1000 MT)
CY Exports	1	1	1	1		1	(1000 MT)
CY Exp. to U.S.	0	0	0	0		0	(1000 MT)
TS=TD		0		0		0	

